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#### AGRICULTURE, DEPARTMENT OF

An interim rule on the summer food service program for children was published in the 1/31/78 Fed. Reg., pp. 4038-48. The rule calls for annual audits of at least one-half of all participating program sponsors in each state, and stipulates that such audits may be conducted by CPAs.

#### COMMERCE, DEPARTMENT OF

The Commerce Department has scrapped, at least temporarily, their well-publicized plan to create a Social Performance Index to measure business activities in key social areas. As soon as the plan was announced last October by Secretary Kreps, the Department began to receive criticism from both Congress and the business community. The proposal has been denounced as impractical, burdensome, invalid and wasteful. In addition to plans for the index, a proposal to hold regional conferences and publish a review of social performance based on business reports has also been dropped. The Department has, however, received funding for a new position, and a person will be hired soon to study Commerce proposals and coordinate plans with business.

#### COMMODITY FUTURES TRADING COMMISSION

A public hearing has been scheduled for 2/16/78 on the proposed suspension of commodity options sales. The Commission has also ordered a rewrite of a draft notice of the suspension order to include the criteria for lifting the suspension.

#### COST ACCOUNTING STANDARDS BOARD

The Board recently published the first issue of a new CASB newsletter, entitled "CASB Highlights". It will be issued on a quarterly basis and will focus on the major events that occurred in the previous quarter. Interested persons may request the newsletter by calling 202/275-6111.

#### DEFENSE, DEPARTMENT OF

The Armed Services Procurement Regulation Committee has proposed ASPR 3-809 (c) (6), entitled "Procedures for Identifying Contractors' Unallowable Costs". The purpose of the proposal is to benefit the negotiation process by placing a greater degree of confidence in the accuracy and reliability of contractors' proposals, billings, and claims. The establishment of an acceptable procedure is also expected to reduce the scope of reviews performed by audit and other technical and procurement personnel. Detailed information concerning the type of records considered necessary has been omitted from the proposal because the Committee feels that the requirements contained in Cost Accounting Standard 405, Accounting for Unallowable Costs, are adequate for the purpose. Comments are requested by 3/13/78.

#### ENERGY, DEPARTMENT OF

Arthur Litke, CPA, former member of the Financial Accounting Standards Board, has been appointed to the top accounting post at the Energy Department's Economic Regulatory Administration. Mr. Litke will be the associate administrator of ERA. Prior to joining the FASB, Mr. Litke was chief accountant of the Federal Power Commission. He has also served as associate director of the Civil Accounting and Auditing Division of the General Accounting

Office. He is a member of the AICPA and has served on the Committees on Auditing Procedures and Technical Standards.

#### FEDERAL DEPOSIT INSURANCE CORPORATION

Proposed amendments to regulations on insider transactions appear in the 1/31/78 Fed. Reg., pp. 4051-54. The proposed amendments would specify the circumstances under which an insider transaction is considered to be an unsound banking practice; clarify the Corporation's intentions regarding supervisory action when transactions are subject to the regulations' requirements; clarify recordkeeping requirements; and prescribe specific reporting and review requirements with respect to correspondent accounts and certain bank stock loans. Comments on the regulations are due by 3/10/78.

#### JUSTICE, DEPARTMENT OF

The House passed HR 8200, the bankruptcy reform bill, on 2/1/78. The bill, which constitutes the first reform of the bankruptcy system in 40 years, would create a separate court system to handle bankruptcy cases that would operate parallel to the federal district courts. An overhaul of the bankruptcy laws has become increasingly urgent with the growing number of personal bankruptcies due to overuse of credit cards and the increasing complexity of business reorganization. The measure is designed to encourage repayment plans for individuals, corporations, and even municipalities in preference to straight liquidation. However, it offers more protections to those who opt for liquidation to assure them a fresh start. The bill also contains special tax provisions which are designed to prevent tax laws from hindering the bankruptcy process. (As previously reported, the House Ways and Means Committee will hold hearings on the tax aspects of the bankruptcy reform legislation, contained in a separate bill -- HR 9973 -- on 2/21/78.)

The Antitrust Division of the Department of Justice recently testified before the Senate Small Business Committee on S.2071, legislation to create a Competition Review Commission. John Shenefield, Assistant Attorney General for Antitrust, freely criticized the proposal on the basis of its broad scope, which he stated would only lead to superficial results. The purpose of the Commission would be to examine the effects of laws and policies on competition, employment, price levels, etc., with particular emphasis on 11 key industries. The study would take five years to complete.

#### LABOR, DEPARTMENT OF

A public hearing has been scheduled in conjunction with the Internal Revenue Service to consider a proposal to grant a class exemption under ERISA to permit employee benefit plans to purchase third party customer notes from employers. The hearing will be held on 3/9/78 in the 7th Floor Auditorium of the IRS Building, 1111 Constitution Avenue, NW, Washington, D.C., beginning at 10 a.m. The proposed exemption would allow plans to purchase notes from an employer whose employees are covered by the plan, if such notes are received from the employer's customer in the ordinary course of the employer's business. Requests to testify should be addressed to the IRS and received by 2/14/78.

#### PENSION BENEFIT GUARANTY CORPORATION

Simplified reporting requirements through the development of one form to be used as notice of a plan termination and the combination of PBGC's premium payment form with IRS Annual Report Form 5500 are currently under consideration by the Corporation. The proposed changes are an attempt to develop one form to be filed with one agency which will serve as the entry point for the public with regard to annual reports or plan terminations.

#### SECURITIES AND EXCHANGE COMMISSION

The SEC has released Staff Accounting Bulletin No. 20 on disclosure of replacement cost data. Companies that report replacement cost data can be flexible in changing the methods and assumptions used in estimating the required replacement cost information from those used in the prior year, according to SAB No. 20. Registrants making changes in their estimates should comment briefly on the changes and the reasons for making them.

Anyone wishing to receive one free copy of SAB No. 20 may do so by contacting the AICPA Washington Office, 202/872-8190 ext.47, prior to 2/15/78 and requesting Document 50-1.

#### TREASURY, DEPARTMENT OF

The IRS has proposed regulations on the tax treatment of deferred compensation. The regulations, which would reflect a change in the IRS position on nonqualified compensation reduction plans or arrangements, appear in the 2/3/78 Fed. Reg., pp. 4638-39. The proposed regulations provide that if a taxpayer chooses to have payment of some portion of current compensation or an amount of an increase in compensation deferred and paid in a later year, the amount will nevertheless be treated as received by the taxpayer in the earlier taxable year. Comments and a request for a public hearing on the proposed regulations are due by 4/4/78. For further information contact William E. Mantle at 202/566-3734.

Partial corporate tax integration to relieve the double taxation of dividends has been proposed by Chairman Al Ullman (D-Ore) of the House Ways and Means Committee. Under the proposal, stockholders would receive a tax credit equal to a percentage of their dividend income. The credit would be 10 per cent initially and increase over a 6-year period to 20 per cent. Chairman Ullman estimated the credit could eliminate almost 22 per cent of the current double tax on dividends. It is expected that the integration proposal will be considered by the Ways and Means Committee when it acts on President Carter's tax proposals.

The Senate Finance Committee has added two amendments to HR 6715, the Technical Corrections Act. The Committee voted to exclude IRS rulings from the term "rules and regulations" for purposes of the return preparer penalty for negligent or intentional disregard of rules and regulations.

The Committee also voted to defer the effective date of the carryover basis provisions of the Tax Reform Act of 1976 from 12/31/76 to 12/31/79.

A summary of the Social Security Amendments of 1977 has been published by the Senate Finance Committee. The document explains the various provisions including the new tax rates, minimum benefits, changes in the retirement test and the decoupling and new wage-indexed formula. Individual copies of the document can be obtained by calling 202/224-4168.

The IRS has proposed rules on annual reporting of the identification of separated participants with deferred vested retirement benefits under ERISA. They appear in the 1/20/78 Fed. Reg., pp. 2892-96. The proposed rules also include requirements that plan administrations report any change in the status of the plan to IRS. Such changes could include a change in plan administration, termination or merger with another plan. They also cover penalties imposed on administrators that fail to report to the IRS. Comments and a request for a hearing are due by 3/6/78.

SPECIAL: SELF-REGULATION OF ACCOUNTANTS REVIEWED BY MOSS SUBCOMMITTEE

The accounting profession's program for self-regulation was the subject of three days of hearings last week by the House Subcommittee on Oversight and Investigations. Representatives from government and the accounting profession gave their views on the self-regulatory measures taken by the AICPA.

Senator Charles Percy (R-Ill), ranking minority member of the Senate Governmental Affairs Subcommittee on Reports, Accounting and Management, testified that the Subcommittee is willing to allow the accounting profession to take the initiative in self-regulation.

Stanley J. Scott, Chairman of the Board of the AICPA, told the House Subcommittee that the establishment of a division for CPA firms by the AICPA will provide an effective layer of additional regulation that combines with existing restraints on auditors to make accounting reform legislation unnecessary.

Representatives of small accounting firms criticized the AICPA program and called for federal registration of accountants authorized to practice before the SEC.

SEC Chairman Harold Williams said the self-regulation plan needs improvement but should be given more time. According to Chairman Williams, "the AICPA should be given a full opportunity to institute effective self-regulation before Congress considers the imposition of other forms of regulation."

For additional information contact:  
Steven Woolf or Susan Retter  
202/872-8190

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